

# Instructions for Form FTB 3553

## Enterprise Zone Employee Credit

### What's New

#### Round Cents to Dollars

Beginning with the 2007 tax forms, round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25. If you do not round, FTB will disregard the cents. This change helps process your returns quickly and accurately.

#### Registered Domestic Partners (RDP)

Effective for taxable years beginning on or after January 1, 2007, RDPs under California law must file their California income tax returns using either the married/RDP filing jointly or married/RDP filing separately filing status. RDPs will have the same legal benefits, protections, and responsibilities as married couples unless otherwise specified.

If you entered into in a same sex legal union in another state, other than a marriage, and that union has been determined to be substantially equivalent to a California registered domestic partnership, effective for taxable years beginning on or after January 1, 2007, you are required to file a California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status. For more information on what states have legal unions that are considered substantially equivalent, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for RDP.

For purposes of California income tax, references to a spouse, a husband, or a wife also refer to a California Registered Domestic Partner (RDP), unless otherwise specified. When we use the initials (RDP) they refer to both a California Registered Domestic "Partner" and a California Registered Domestic "Partnership," as applicable. For more information on RDPs, get FTB Pub. 737, Tax Information for Registered Domestic Partners.

#### Minimum Wage Increase

Beginning January 1, 2007, California minimum wage increased to \$7.50 per hour. Beginning January 1, 2008, the minimum wage will increase to \$8 per hour.

#### New Enterprise Zone Designation

The following Enterprise Zones (EZs) received final designation in 2007:

Enterprise Zone	Designated Date	Expiration Date
Fresno-County	06/27/2007	06/26/2022
Compton	08/01/2007	07/31/2022
Santa Clarita	07/01/2007	06/31/2022

At the time this form was published, only the above EZs received final designation. Before filing form FTB 3553, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for updates to tax forms for updated information.

#### Conditional Designation

Beginning in 2006, legislation was enacted to allow zones, who received a conditional designation from the Department of Housing and Community Development (HCD), to offer tax incentives during a redesignation period. This is the gap between the expiration date of the old zone and the final designation of the new zone. Before filing form FTB 3553, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for updates to tax forms for updated information.

#### Conditionally Designated Zones

	Zone name	Incentives start on	Expiration date
<b>Central Valley</b>			
Arvin	City of Arvin*		
Delano	City of Delano	12/17/2006	12/16/2021
Fresno City	City of Fresno	10/15/2006	10/14/2021
Merced	Cities of Los Banos, Atwater, Dos Palos, Gustine, Livingston, Merced, County of Merced	12/17/2006	12/16/2021
<b>Greater Sacramento/Stockton</b>			
Northern Sacramento	City and County of Sacramento	10/15/2006	10/14/2021
Yuba Sutter	Cities of Marysville, Yuba City, Wheatland, Live Oak, Counties of Yuba and Sutter	10/15/2006	10/14/2021
<b>Inland Empire/Imperial Valley</b>			
Galexico	City of Galexico, County of Imperial*	10/15/2006	10/14/2021

San Bernardino	Cities of San Bernardino and Colton, County of San Bernardino, Inland*, Valley Development Agency*	10/15/2006	10/14/2021
Coachella	Cities of Coachella and Indio, County of Riverside	11/11/2006	11/10/2021

#### Los Angeles Region

Los Angeles	East Valley, Hollywood, Central L.A.	10/15/2006	10/14/2021
Long Beach	City of Long Beach	01/08/2007	01/07/2022
Pasadena	City of Pasadena	04/10/2007	04/09/2022
Southgate/Lynwood	Cities of Southgate* and Lynwood*		

#### San Diego

San Diego	Cities of San Diego, Chula Vista, National City	10/15/2006	10/14/2021
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#### Bay Area

Richmond	City of Richmond	03/02/2007	03/01/2022
San Francisco	City and County of San Francisco	05/28/2007	05/27/2022
San Jose	City of San Jose	12/31/2006	12/30/2021

#### Northern California

Shasta	Cities of Redding, Anderson, Shasta Lake, County of Shasta	11/06/2006	11/05/2021
Eureka	City of Eureka, County of Humboldt	10/15/2006	10/14/2021
Oroville	City of Oroville	11/06/2006	11/05/2021

\* Dates to be determined

#### Expired Zones

The following EZs expired in 2007:

Enterprise Zone	Designated Date	Expiration Date
Altadena/Pasadena	04/10/92	04/09/2007
Long Beach	01/08/92	01/07/2007
Richmond	03/02/92	03/01/2007
San Diego - South Bay	01/28/92	01/27/2007
San Francisco	05/28/92	05/27/2007

Generally, no further EZ incentives can be generated after the expiration date. Any EZ credit carryover or EZ net operating loss carryover can continue to be utilized to the extent of tax on business income or business income attributable to the former EZ.

#### Filing of Form FTB 3553

If you are working at a business located in an expired zone and in a conditionally designated zone, file one form FTB 3553 for the expired zone and another form FTB 3553 for the conditionally designated zone, to claim the EZ credits. The credit from an expired zone can only offset against the tax on wage income earned in the expired zone. The credit generated from a conditionally designated zone can only offset against the tax on wage income earned in the conditionally designated zone. The amount of credit is limited by the amount of tax (line 13 of form FTB 3553) on wage income earned within each EZ. But the total amount of credits generated from income earned within all EZs should not exceed the tax amount on line 24 of Form 540 or line 27 of Long Form 540NR.

For an expired zone, use form FTB 3553 to report the employee credit on the wages earned while working in the enterprise zone, to the day the zone expired. For a conditionally designated zone, use form FTB 3553 to report the employee credit on the wages earned while working in the new conditionally designated zone.

## General Information

#### Enterprise Zone Designation

The following EZs received final designation in 2006:

Enterprise Zone	Designated Date	Expiration Date
Barstow	02/01/2006	01/31/2021
Imperial Valley	03/01/2006	02/28/2021

## Expired Zones

The EZs listed below expired in 2006.

Enterprise Zone	Designated Date	Expiration Date
Bakersfield/Kern (SE Bakersfield)	10/15/86	10/14/2006
Calexico	10/15/86	10/14/2006
Coachella Valley	11/11/91	11/10/2006
Delano	12/17/91	12/16/2006
Eureka	10/15/86	10/14/2006
Fresno	10/15/86	10/14/2006
Los Angeles – Central City	10/15/86	10/14/2006
Los Angeles – Mid-Alameda Corridor	10/15/86	10/14/2006
Los Angeles – Northeast Valley	10/15/86	10/14/2006
Merced/Atwater	12/17/91	12/16/2006
Oroville	11/06/91	11/05/2006
Porterville	10/15/86	10/14/2006
Redding/Anderson (Shasta Metro)	11/06/91	11/05/2006
Sacramento – Northgate	10/15/86	10/14/2006
San Bernardino/Riverside (Agua Mansa)	10/15/86	10/14/2006
San Diego – Metro	10/15/86	10/14/2006
San Jose	10/15/86	12/31/2006
Yuba/Sutter	10/15/86	10/14/2006

## A Purpose

Use form FTB 3553:

- To see if you qualify for a credit based on wages you earned while working within the boundaries of a California EZ.
- To figure the credit, if you qualify to claim it.

Use Form 540, California Resident Income Tax Return, or the Long Form 540NR, California Nonresident or Part-Year Resident Income Tax Return, to claim this credit.

## B Description

The credit is five percent of each employee's qualified wages for the year (maximum credit is \$525 per employee). Qualified wages are wages earned in the geographic areas designated as EZs. Parts of the following areas and cities are EZs:

- Altadena/Pasadena
- Antelope Valley
- Bakersfield/Kern (SE Bakersfield)
- Barstow
- Calexico
- Coachella Valley
- Compton
- Delano
- Eureka
- Fresno
- Imperial Valley
- Kings County
- Lindsay
- Long Beach
- Los Angeles – Central City
- Los Angeles – Eastside
- Los Angeles – Harbor Area
- Los Angeles – Mid-Alameda Corridor  
(The city of Lynwood has expired)
- Los Angeles – NE Valley (formerly Pacoima)
- Madera
- Merced/Atwater
- Oakland
- Oroville
- Pittsburg
- Porterville
- Redding/Anderson (Shasta Metro)
- Richmond
- Sacramento – Army Depot
- Sacramento – Florin Perkins
- Sacramento – Northgate/Norwood
- San Bernardino/Riverside (Agua Mansa)
- San Diego – South Bay
- San Diego – Metro

- San Francisco
- San Jose
- Santa Ana
- Santa Clarita
- Shafter
- Siskiyou County (Shasta Valley)
- Stanislaus (including Ceres, Modesto, Turlock, and Stanislaus County)
- Stockton
- Watsonville
- West Sacramento
- Yuba/Sutter

For business eligibility or zone related information, including questions regarding EZ geographic boundaries, contact the local zone program manager in which the business is located. For a list of program managers, go to [www.hcd.ca.gov](http://www.hcd.ca.gov) and search for **directory of program managers**.

For information that is not tax-specific or zone-specific, you may contact the Department of Housing and Community Development at:

DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT  
FINANCIAL ASSISTANCE DIVISION  
STATE ENTERPRISE AND ECONOMIC DEVELOPMENT SECTION  
ENTERPRISE ZONE PROGRAMS  
1800 THIRD STREET, SUITE 390-1  
SACRAMENTO CA 95811  
Telephone: (916) 322-1554  
FAX: (916) 327-6660  
Website: [www.hcd.ca.gov](http://www.hcd.ca.gov)

## C Qualifications

To qualify for this credit in 2007, you need to meet all of the following:

- Performed at least 50% of your compensated work (for the employer located within the EZ) within the boundaries of an enterprise zone in California.
- Spent at least 90% of your work time (for the employer located within the EZ) on activities that are directly related to the operation of the trade or business located within the EZ.
- Did not work for any federal, California state, or local government.

Complete the Qualification Checklist on page 3 of the instructions to see if you qualify for the EZ employee credit.

## D Limitations

### Zone Income Limitation

You may not apply the credit toward any taxes due on income you and your spouse/RDP earned outside the EZ or prior to the zone designation.

### Income Limitations

The maximum amount of qualifying wages is \$10,500 for each enterprise zone employee. Reduce this credit by nine percent (9 cents for each dollar of income you received that is more than your qualified EZ wages).

This credit cannot reduce regular tax below the tentative minimum tax. Get Schedule P (540 or 540NR) for more information. This credit is not refundable and any unused credit may not be carried over to succeeding years.

## Specific Line Instructions

**Line 10** – Total enterprise zone wages are all enterprise zone wages. This amount is not limited to \$10,500 like the amounts on line 1 and line 2.

**Line 11** – Generally, this amount will be \$0 (zero dollars). However, expenses that may be included on this line are employee business expenses that you paid for such as union dues, work clothes and uniforms, tools used in your work, employment-related education expenses, and occupational taxes. Personal expenses such as commuting expenses and meals are not deductible and **cannot** be included on this line. Refer to federal Publication 17, or federal Form 2106, Employee Business Expense, for more information about employee business expenses.

**Line 13** – Find the amount of tax for the amount shown on line 12 by using the Tax Table or Tax Rate Schedules in your Form 540 or Long Form 540NR tax booklet. Use the same filing status you used on your Form 540 or Long Form 540NR.

**Line 14** – The amount of this credit you can claim on your income tax return may be limited further. See the credit instructions in your Form 540 or the Long Form 540NR tax booklet for more information. These instructions also explain how to claim this credit on your income tax return. Use code number **169** when you claim this credit.

# Enterprise Zone Employee Credit Qualification Checklist

## Purpose of Checklist

Use this checklist to see if you qualify to take the enterprise zone employee credit for 2007.

**Married/RDP filing jointly:** Each spouse/RDP completes Questions 1 through 4 separately. If at least one spouse/RDP qualifies for the credit, answer "No" to Question 5 and continue to Question 6.

If you have more than one job, answer the questions separately for each job.

## Qualification Checklist

1. Did you work in an enterprise zone during 2007? An enterprise zone is an area designated by the state of California. See General Information B, Description, on page 2 of the instructions for a list of the geographic areas designated as enterprise zones. Your employer can verify if the business operates in an enterprise zone.  
☐ Yes. Go to question 2.  
☐ No. STOP, you do not qualify for the credit.
2. Do you work for the United States government, the state of California, or a city or county government located in California?  
☐ Yes. STOP, you do not qualify for the credit.  
☐ No. Go to question 3.
3. Were 50% or more of the hours you worked for your employer performed at your employer's location in the enterprise zone? See Checklist Instructions below.  
☐ Yes. Go to question 4.  
☐ No. STOP, you do not qualify for the credit.
4. Were 90% or more of the hours you worked for your employer related to your employer's business activity located in the enterprise zone? See Checklist Instructions below.  
☐ Yes. Go to question 5.  
☐ No. STOP, you do not qualify for the credit.
5. Will you file your tax return using the filing status single, head of household, or qualifying widow(er)?  
☐ Yes. Go to question 7.  
☐ No. Go to question 6.
6. Did you and your spouse/RDP both work in an enterprise zone and qualify for the credit?  
☐ Yes. Go to question 8.  
☐ No. Go to question 7.
7. Is your California adjusted gross income (AGI) equal to or more than \$16,334? (If you have not already completed your California income tax return, you will need to complete at least part of it now. If you use Form 540, complete line 1 through line 17. If you use Long Form 540NR, complete Schedule CA (540NR), Part II, line 7, column E through line 35, column E.)  
☐ Yes. STOP, you do not qualify for the credit.  
☐ No. Go to form FTB 3553 and complete line 1 through line 14 to figure the credit. Use Form 540 or Long Form 540NR to claim the credit.
8. Is your California AGI equal to or more than \$32,667? (If you have not already completed your California income tax return, you will need to complete at least part of it now. If you use Form 540, complete line 1 through line 17. If you use Long Form 540NR, complete Schedule CA (540NR), Part II, line 7, column E through line 35, column E.)  
☐ Yes. STOP, you do not qualify for the credit.  
☐ No. Go to form FTB 3553 and complete line 1 through line 14 to figure the credit. Use Form 540 or Long Form 540NR to claim the credit.

## Checklist Instructions

### Question 3 – How do I know if I meet the 50% test?

If you worked at one location for the employer all year, then you meet the test. If you worked for the employer at more than one location, then you need to divide your hours worked at each location in the enterprise zone by your total hours worked at all locations for the employer. Add all the percentages for each location within the enterprise zone to determine if you have met the 50% test.

### Question 4 – How do I know if I meet the 90% test?

If you worked at one location for the employer all year, then you meet the test. If you worked for the employer at more than one location during the year, then you need to ask your employer if you have met this test.

## Additional Information

### Where can I get more information?

See the examples on page 4 or call the Franchise Tax Board at (916) 845-3464.

## Examples

**Example 1:** John Smith worked for the ABC Company in Fresno (located in an area designated as an enterprise zone) during 2007 and earned wages of \$12,600. John also paid alimony of \$3,000 during the year. John figured his California AGI using Form 540. California AGI is \$9,600 (wages of \$12,600 less alimony paid of \$3,000). John is single.

John has met all the requirements to qualify for the credit and is now ready to figure the credit.

The sample form FTB 3553 shows how John figured his credit. The amount of credit John can claim on Form 540 may be limited further. He should also refer to the credit instructions in the Form 540 booklet for more information on additional credit limitations.

TAXABLE YEAR		<b>EXAMPLE 1</b>		CALIFORNIA FORM	
<b>2007</b>		<b>Enterprise Zone Employee Credit</b>		<b>3553</b>	
Attach to your California tax return.					
Name(s) as shown on return				SSN or ITIN	
J O H N S M I T H					
<b>Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on page 3 of the instructions to see if you qualify to take this credit.</b>					
<b>Step 2: Complete the form below to figure your available credit.</b>					
1	Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500.	1	10,500	00	
2	If you file a joint return, enter the total amount of wages your spouse/RDP earned working in an enterprise zone. Do not enter more than \$10,500.	2	—	00	
3	Add line 1 and line 2.	3	10,500	00	
4	Multiply the amount on line 3 by 5% (.05).	4	525	00	
5	Enter the amount from Form 540 or Long Form 540NR, line 17.	5	9,600	00	
6	If the amount on line 5 is any of the following: <ul style="list-style-type: none"><li>• Equal to or less than the amount on line 3, enter -0- here and skip to line 10.</li><li>• More than the amount on line 3, enter the amount from line 3.</li></ul>	6	0	00	
7	Subtract line 6 from line 5.	7		00	
8	Multiply line 7 by 9% (.09).	8		00	
9	Subtract line 8 from line 4. If the result is zero or less, <b>STOP</b> . You do not qualify for this credit.	9		00	
10	Enter the total amount of enterprise zone wages. See instructions.	10	12,600	00	
11	Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions.	11	0	00	
12	Net enterprise zone wage income. Subtract line 11 from line 10.	12	12,600	00	
13	Enter the amount of tax for the amount on line 12. See instructions.	13	189	00	
14	Total available enterprise zone employee credit. Enter the smaller of line 9 or line 13. If you entered zero (0) on line 6 and skipped to line 10, enter the smaller of line 4 or line 13. Your credit may be limited. See the instructions for line 14.	14	189	00	

**Example 2:** Bill and Maria Jones worked for the ABC Company in Fresno (located in an area designated as an enterprise zone) during 2007. Bill earned wages of \$13,860 and Maria earned wages of \$9,340. They had no other taxable income or expenses for the year. Bill and Maria are married or in a registered domestic partnership and file a joint return. They have figured their California AGI using Form 540. California AGI is \$23,200 (Bill's wages of \$13,860 plus Maria's wages of \$9,340).

Bill and Maria have met all the requirements to qualify for the credit and are now ready to figure the credit.

The sample form FTB 3553 below shows how Bill and Maria figured their credit. The amount of the credit Bill and Maria can claim on Form 540 may be limited further. They should also refer to the credit instructions in the Form 540 booklet for more information on additional credit limitations.

TAXABLE YEAR		<b>EXAMPLE 2</b>		CALIFORNIA FORM	
<b>2007</b>		<b>Enterprise Zone Employee Credit</b>		<b>3553</b>	
Attach to your California tax return.					
Name(s) as shown on return				SSN or ITIN	
B I L L & M A R I A J O N E S					
<b>Step 1: Complete the Enterprise Zone Employee Credit Qualification Checklist on page 3 of the instructions to see if you qualify to take this credit.</b>					
<b>Step 2: Complete the form below to figure your available credit.</b>					
1	Enter the total amount of wages you earned working in an enterprise zone. Do not enter more than \$10,500.	1	10,500	00	
2	If you file a joint return, enter the total amount of wages your spouse/RDP earned working in an enterprise zone. Do not enter more than \$10,500.	2	9,340	00	
3	Add line 1 and line 2.	3	19,840	00	
4	Multiply the amount on line 3 by 5% (.05).	4	992	00	
5	Enter the amount from Form 540 or Long Form 540NR, line 17.	5	23,200	00	
6	If the amount on line 5 is any of the following: <ul style="list-style-type: none"><li>• Equal to or less than the amount on line 3, enter -0- here and skip to line 10.</li><li>• More than the amount on line 3, enter the amount from line 3.</li></ul>	6	19,840	00	
7	Subtract line 6 from line 5.	7	3,360	00	
8	Multiply line 7 by 9% (.09).	8	302	00	
9	Subtract line 8 from line 4. If the result is zero or less, <b>STOP</b> . You do not qualify for this credit.	9	690	00	
10	Enter the total amount of enterprise zone wages. See instructions.	10	23,200	00	
11	Enter the total amount of employee business expenses that you paid relating to your work in the enterprise zone. See instructions.	11	0	00	
12	Net enterprise zone wage income. Subtract line 11 from line 10.	12	23,200	00	
13	Enter the amount of tax for the amount on line 12. See instructions.	13	338	00	
14	Total available enterprise zone employee credit. Enter the smaller of line 9 or line 13. If you entered zero (0) on line 6 and skipped to line 10, enter the smaller of line 4 or line 13. Your credit may be limited. See the instructions for line 14.	14	338	00	